

**Senate File 2370 - Introduced**

SENATE FILE 2370

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3152)

**A BILL FOR**

1 An Act relating to aircraft, including special certificates  
2 issued to aircraft manufacturers, transporters, and dealers,  
3 and sales tax exemptions associated with aircraft, providing  
4 fees, making penalties applicable, and including effective  
5 date and applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

SPECIAL CERTIFICATES

Section 1. Section 328.28, subsection 1, Code 2022, is amended to read as follows:

1. A manufacturer or dealer owning an aircraft otherwise required to be registered under this chapter may operate the aircraft for up to three years for purposes of transporting, testing, demonstrating, or selling the aircraft without registering the aircraft, upon condition that a special certificate be obtained by the owner for each year the owner operates the aircraft as provided in this section and sections 328.29 through 328.33.

Sec. 2. Section 328.29, Code 2022, is amended to read as follows:

**328.29 Application for special certificate — fee.**

A manufacturer, transporter, or dealer may, upon payment of a ~~one~~ four hundred dollar fee, make application to the department upon such forms as the department may prescribe for a special certificate. The applicant shall also submit such reasonable proof of the applicant's status as a bona fide manufacturer, transporter, or dealer as the department may require. Dealers in new aircraft shall furnish satisfactory evidence of a valid franchise with the manufacturer or distributor of such aircraft authorizing such dealership.

Sec. 3. Section 328.32, Code 2022, is amended to read as follows:

**328.32 Expiration of special certificate.**

A special certificate expires at midnight on ~~June 30~~ October 31, and a new special certificate for the ensuing year may be obtained by the person to whom the expired special certificate was issued, upon application to the department and payment of the fee provided in section 328.29.

Sec. 4. Section 328.34, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 7. That the person making application for,

1 or holding, a special certificate operated an aircraft for  
2 purposes of transporting, testing, demonstrating, or selling  
3 the aircraft, without registering the aircraft, after three  
4 years of holding a special certificate for the aircraft in  
5 violation of section 328.28.

6 Sec. 5. Section 328.36, subsection 1, Code 2022, is amended  
7 to read as follows:

8 1. All moneys received by the department pursuant to ~~section~~  
9 sections 328.21 and 328.29 shall be deposited into the state  
10 aviation fund created in section 328.56.

11 Sec. 6. EFFECTIVE DATE. This division of this Act takes  
12 effect June 30, 2022.

13 Sec. 7. APPLICABILITY. This division of this Act applies to  
14 special certificates issued by the department of transportation  
15 that are valid for a period beginning after midnight on June  
16 30, 2022. Special certificates issued by the department of  
17 transportation that are valid for a period beginning after  
18 midnight on June 30, 2022, but beginning before midnight on  
19 October 31, 2022, shall expire at midnight on October 31,  
20 2023, and the validity period for such special certificates  
21 shall count as only one year for purposes of section 328.28,  
22 subsection 1, as amended in this division of this Act, and  
23 section 328.34, subsection 7, as enacted in this division of  
24 this Act.

## 25 DIVISION II

### 26 SALES AND USE TAX EXEMPTIONS

27 Sec. 8. Section 423.3, subsection 76, Code 2022, is amended  
28 to read as follows:

29 76. The sales price from the sale of tangible personal  
30 property permanently affixed or attached as a component  
31 part of the aircraft, including but not limited to repair or  
32 replacement materials or parts; and the sales price of all  
33 services used for aircraft repair, remodeling, and maintenance  
34 services when such services are performed on aircraft, aircraft  
35 engines, or aircraft component materials or parts. For the

1 purposes of this exemption, "*aircraft*" means ~~aircraft used~~  
2 ~~in nonscheduled interstate federal aviation administration~~  
3 ~~certificated air carrier operation operating under 14 C.F.R.~~  
4 ~~ch. 1, pt. 135~~ the same as defined in section 328.1.

5 Sec. 9. Section 423.3, subsection 75, Code 2022, is amended  
6 by striking the subsection.

7 EXPLANATION

8 The inclusion of this explanation does not constitute agreement with  
9 the explanation's substance by the members of the general assembly.

10 SPECIAL CERTIFICATES. Under current law, an aircraft  
11 manufacturer or dealer may operate an aircraft for purposes of  
12 transporting, testing, demonstrating, or selling the aircraft  
13 without registering the aircraft by obtaining a special  
14 certificate from the department of transportation (DOT). This  
15 bill limits the period a manufacturer or dealer may operate  
16 the aircraft under a special certificate to three years. The  
17 bill increases the annual fee for a special certificate from  
18 \$100 to \$400, and provides that a special certificate expires  
19 at midnight on October 31 rather than midnight on June 30.  
20 The bill provides that the DOT may refuse to issue, or may  
21 revoke or suspend, a special certificate if the person making  
22 application for, or holding, the special certificate operated  
23 such an aircraft after three years of holding a special  
24 certificate for the aircraft in violation of the bill.

25 Under current law, aircraft registration fees collected  
26 under Code section 328.21 are required to be deposited in the  
27 state aviation fund. The bill specifies that fees received by  
28 the DOT for the issuance of special certificates must also be  
29 deposited in the state aviation fund, in accordance with the  
30 current practice.

31 These provisions take effect June 30, 2022, and apply to  
32 special certificates issued by the DOT that are valid for a  
33 period beginning after midnight on June 30, 2022. The bill  
34 provides that special certificates issued by the DOT that are  
35 valid for a period beginning after midnight on June 30, 2022,

1 but beginning before midnight on October 31, 2022, shall expire  
2 at midnight on October 31, 2023, and the validity period for  
3 such special certificates shall count as only one year for  
4 purposes of the bill.

5 Under current law, Code section 328.40 provides that any  
6 person who violates any of the provisions of Code chapter  
7 328 shall be guilty of a fraudulent practice. A fraudulent  
8 practice is punishable by criminal penalties under Code  
9 sections 714.9 through 714.13.

10 SALES AND USE TAX EXEMPTIONS. Under current law, Code  
11 section 423.3 exempts from the Iowa sales and use tax, among  
12 other things, the sale or use of aircraft component parts  
13 permanently attached to an aircraft, including repair or  
14 replacement materials or parts, and repair, remodeling, and  
15 maintenance services used on an aircraft, aircraft engine, or  
16 aircraft component materials or parts, provided the aircraft is  
17 used in either a scheduled or nonscheduled interstate federal  
18 aviation administration (FAA) certified air carrier operation  
19 (scheduled or nonscheduled FAA operation). The bill removes  
20 the requirement that the aircraft be used in a scheduled or  
21 nonscheduled FAA operation to qualify for the exemption. The  
22 sale or use of the component parts and services described above  
23 will be exempt from the sales and use tax when permanently  
24 attached to or performed on any aircraft. The bill defines  
25 "aircraft" to mean the same as it does for purposes of Code  
26 chapter 328 (aeronautics), which includes any contrivance now  
27 known, or hereafter invented, used or designed for navigation  
28 of or flight in the air, for the purpose of transporting  
29 persons or property, or both.

30 The bill also makes nonsubstantive changes to Code section  
31 423.3(75) to strike similar language relating to the sales and  
32 use tax exemption described in the bill.